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**ARIZONA CORPORATION COMMISSION**

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Commissioner

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June 29, 2006

**Re: Proposed AT&T/BellSouth Merger; Docket No. T-02428A-06-0203, et al.**

Dear Parties to the Docket:

As I stated in my April 6, 2006 letter to Mr. Wayne Watts, Senior Vice President and Associate General Counsel for AT&T, I believe a full airing of the issues surrounding AT&T's upcoming attempt to merge with BellSouth is in order.

As part of the evidentiary hearing set for this matter, I am interested in having the Parties to the matter address the issue of any layoffs that could occur as a result of this proposed Merger. I would like additional detail provided at hearing regarding the language in Section 16 of the Request for a Limited Waiver submitted in March of this year that reads as follows: "the Merger will have a limited impact in Arizona."<sup>1</sup>

Statements like these warrant particular scrutiny in light of AT&T's recent decision in the wake of its previous Merger with SBC to lay off 47 employees in Mesa.

As you know, as part of our approval of that Merger, (Decision No. 68269), the Commission required AT&T to file a report, within two months of the effective date, of any layoffs detailing why it was necessary to conduct those layoffs, and what efforts the Company was making to redeploy those individuals elsewhere in the Company. The Order also required AT&T to formally notify the Commission 60 days prior to conducting any merger-related layoffs.

In April, AT&T laid off the Mesa workers and failed to notify the Commission pursuant to either Merger condition. Additionally, these layoffs were conducted despite statements made prior to the Merger by AT&T executives that post-Merger layoffs in Arizona were unlikely.

In an April 11 letter responding to questions I raised in an April 6 letter regarding these layoffs, it was conceded by AT&T that the decision to conduct the layoffs was indeed made after the Merger (February 16, 2006), but that these layoffs were deemed by the Company not to be Merger-related because the legacy AT&T had been moving away from serving residential customers in the year prior to the Merger.

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<sup>1</sup> Notice of intent by AT&T Inc. pursuant to A.A.C. R14-2-803 or, alternatively, for a limited waiver of the Commission's affiliated interests rules; Docket Nos. T-02428A-06-0203, T-03016A-06-0203, T-03116A-06-0203, T03346A-06-0203. "Merger Benefits" Section 16.

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If the Mesa layoffs were in fact Merger-related, then AT&T had a duty under the provisions of Decision No. 68269 to report them to the ACC 60 days prior to their occurrence. If the Mesa layoffs were not Merger-related, as AT&T suggests, and if they were pre-ordained by pre-Merger decisions made by legacy AT&T executives, then I believe that AT&T, at a minimum, had a duty to inform the Commission during the hearings that were conducted to examine these issues that there would be a likelihood of post-Merger layoffs.

In order to avoid a repeat of these events, I would like the Parties to address AT&T's plans for future layoffs with clarity.

First, please tell the Commission whether *any* Arizona layoffs are planned or are likely to occur as a result of or after a Merger with BellSouth.

Second, please tell the Commission whether there have been any plans or discussions within either AT&T or BellSouth about the need for layoffs in Arizona after the Merger.

Third, please state your position on the question of whether the Commission should consider a condition in this matter requiring AT&T to notify the ACC 60 days prior to *any* post-Merger layoffs, whether they are deemed by the Company to be Merger-related or not as well as a condition that would mandate that AT&T file a report with the Commission within two months of the effective date of *any* post-Merger layoffs detailing why it was necessary to conduct those layoffs, and what efforts the Company is making to redeploy those individuals elsewhere in the Company, whether AT&T deems the layoffs to be Merger-related or not.

Thank you for your attention to these questions. Although I have not reached any conclusions in this case, I believe that your timely answers will aid me in my future deliberations on this matter.

Sincerely,



Kris Mayes  
Commissioner

Cc: Chairman Jeff Hatch-Miller  
Commissioner William A. Mundell  
Commissioner Marc Spitzer  
Commissioner Mike Gleason  
Brian McNeil  
Ernest Johnson  
Christopher Kempley